

COURSEWORK ASSIGNMENT 001

Academic Year 2021/22

Module Code: BSM 929

Module Name: Strategic Management

Module Leader: Clive Kerridge

Coursework Title: Portfolio: strategy analysis presentation and report

PART (B): Group Work Report [WRSX]

Group: 6

5 Year Strategic Business Plan

Executive Summary:

Purpose of plan

This report presents a five-year strategic business plan to rectify the problems the company currently face, through a careful analysis of the market and company environment. The report gives a detailed view of the market and capabilities of the company, sets quantified objectives for financial and non-financial indicators and plans for how they will be implemented.

Company description

WRSX (Waldron Roux Silberstein Xao) is a prominent diversified advertising agency founded over 20 years ago with the merger of three agencies from London, New York and Paris. Offering advertising, media, direct marketing, PR and speciality communications services across a range of disciplines.

The organisation has achieved a great level of success over the last decade which has enabled them to diversify and grow further through acquisitions. Currently however, the agency is in a period of decline mainly due to various internal and external problems within the organisation.

Market description

WRSX operates in the following markets by self-operating business unites: North America Western Europe Central & Eastern Europe and Asia Pacific. Currently, the competitors in the market are increasing, besides the traditional marketing agencies, companies like Google, Microsoft and Yahoo are also participating in the digital advertising industry.

Table of Contents

Executive Summary:	2
1. Market Analysis	4
1.1 Environmental and Industry Analysis:	4
1.1.1 - PEST Analysis:	4
1.1.2 Industry Trends and Information:	5
1.2. Internal Analysis:	5
1.2.1 Key Capabilities and Resources:	5
1.2.2 – Application against Barneys VRIO Framework	5
1.3 Section Summary:	6
2.Strategic Choices:	6
Strategic choice 1	6
Strategic choice 2	6
Strategic choice 3	6
Strategic choice 4	7
Conclusion	7
3.Financial Data and Non-Financial Performance Indicators (NFPIs)	7
3.1 Key Financial Performance Objectives:	7
3.2 Key Non-Financial Performance Objectives:	8
4.Implementation plan:	9
Replacement of Non-Executive Directors (NEDs) of the Board:	9
Establishment of Corporate Head Office:	10
Centralization of Procurement Management:	10
Review, Improve and Implement Strategic HR Policy:	10
Supercharging our Digital Marketing:	10
Enhancing Corporate Social Responsibility:	11
New Division in China:	11
References	12
Appendices	13

1. Market Analysis

Key – Ranked 1 to 3 in Importance (Descending Order)

1.1 Environmental and Industry Analysis:

(Trends and Conditions)

This external analysis will cover the condition and trends of the advertising and marketing communications industry. This will allow us to assess the opportunities and threats applicable to WRSX which is later applied in a TOWS matrix [*Appendix Fig. 4*].

1.1.1 - PEST Analysis:

Political:

Globalisation offers an opportunity in terms of, breadth of scope and the ability to recruit and move labour globally. Globalisation however does carry the threat of lifestyle and emotional differences between markets. (3)

Asia's challenge to US dominance offers an opportunity of new markets and new revenue. To WRSX, it is however a threat. WRSX currently makes most of its revenue in the west with a limited presence in Asia. Should the Western market shrink and the Asian market increase, they would be poorly placed to adapt to this change. (1)

Economic:

World economy predicts sustained growth, an opportunity which suggests continued strong spending and investment within the advertising and marketing communications industry. The predicted economic downturn of the US is however a threat in that they make up 50% of revenue within the industry. (3)

Social:

A shift in demographics and values is a threat to WRSX as they currently stand. The rise of CSR is very prominent, and it is of increased importance to clients. It even results in a knock-on effect upon share price and therefore shareholder wealth. WRSX currently does not consider CSR as important. (2)

Technological:

Technological advances change consumer behaviour, and as a result business structure. A switch from traditional to new media with an emphasis on digital media and the role of the mobile phone is a threat to WRSX who currently are not overly involved nor invested in these areas. (1)

1.1.2 Industry Trends and Information:

Key industry trends can be plotted against an arrow showing threats and opportunities as a spectrum [*Appendix Fig. 1*].

1.2. Internal Analysis:

(Strategic capabilities and Competitive Positioning)

Internal analysis is concerned with the capabilities and resources of the company. This allows us to generate and assess the strengths and weaknesses of WRSX, contributing to the TOWS matrix [*Appendix Fig. 4*].

1.2.1 Key Capabilities and Resources:

The Key Capabilities and Resources are presented in Appendix Fig.2.

1.2.2 – Application against Barneys VRIO Framework

Application against Barneys VRIO framework (1991) [*Appendix Fig.3*] shows that although the company resources and capabilities are valuable within the given industry, they are not rare nor difficult to imitate as they are mere critical success factors within the advertising and marketing communications industry, strong creative teams especially (Whittington et al., 2020: p96, 99, 100, 104). The weaknesses show how the company is not organised in a way that supports and utilises all resources and capabilities. This therefore as a whole, places WRSX in a position of competitive parity (Whittington et al., 2020: p104). Section 1 shows that should these critical success factors shift, for example to a strong presence in the digital market, WRSX would shift to a competitive disadvantage as they would then lack valuable R+C. Strategic change must be implemented if a competitive advantage is to be achieved and sustained.

1.3 Section Summary:

This section aims to summarise and combine the previous two sections in the most comprehensive and effective way possible. Application of a TOWS matrix allows threats, opportunities, weaknesses, and strengths to be assessed together to generate strategic options [Appendix Fig.4].

2.Strategic Choices:

This section presents the strategic options and priorities drawn from the TOWS Matrix [Appendix Fig.4].

Strategic choice 1

The main issue for WRSX is their Corporate Governance. The corporate governance identifies the business integrity by displaying transparency and accountability. Managing corporate governance is crucial for WRSX to receive long-term investment and growth. Resulting from the corruption scandal involving Raphael Roux, the company's Reputational Risk score has been damaged, which relates to corporate governance. WRSX Group aims for sustainable growth; however, this is not possible without a good corporate governance system. Therefore, the first strategic priority is to improve the corporate governance.

Strategic choice 2

The second strategic option is drawn from the VRIO model analysis [Appendix Fig.3]. The analysis identified that WRSX does not have a strong competitive advantage. Before the company decides to enter new markets. It needs to focus on its competitive advantage. Therefore, a second strategic option is creating a competitive advantage by focusing on digital marketing and inclusivity because competition in the industry is based on range of services, market insight and creative abilities.

Strategic choice 3

The third option is supplier relationship management and relates to the competitive advantage of WRSX. WRSX currently does not exploit their supplier relationships. This management is essential because as a result, the company will have financial benefits and could create joint initiatives. Which could be part of the competitive advantage.

Strategic choice 4

Finally, the fourth strategic option is to expand to the Asian market due to the downturn in the US market and the rise of consumerism in the Asian market. WRSX needs to expand further to the Asian market as part of their goal to grow. However, the company first needs to accomplish the other options before they expand.

Conclusion

To conclude, the growth strategy for WRSX based on the Ansoff matrix [Appendix Fig.5] will begin with the product development (development of the service), while offering it in the same market. Once the competitive advantage has been created and the corporate governance has been improved, the next step will be the market development in the Asian market.

3. Financial Data and Non-Financial Performance Indicators (NFPis)

3.1 Key Financial Performance Objectives:

Shown in the table below, are our projected key financial performance indicators for WRSX Group for the upcoming five years.

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
	£m	£m	£m	£m	£m	£m
Sales Revenue	200,000	240,000	288,000	345,600	414,720	497,664
Profit (PBIT)	33	73,756	122,512	180,868	250,744	334,444
RoS %	16.50%	30.7%	42.5%	52.3%	60.5%	67.2%
Staff Costs %	63%	52.2%	43.2%	35.8%	29.7%	24.6%

Table 1: Key financial performance indicators for WRSX

*Figures have been rounded to nearest thousand within the table

Following the implementation of our strategic plans for WRSX Group we envision a 20% increase in our revenue, per annum. This growth will produce a revenue increase of just under £298m over the five-year plan.

Staff costs will also be reduced following our strategic choices for improving corporate governance and rectifying staffing issues. As we improve our staff retention, recruitment, and fine tune our current staff and departments. We forecast a 3% decrease, again over the five years of our plan. Resulting in a saving of just £4m, this equates to a saving of £756,000 per annum, starting in year 1.

Combining our increase in revenue and decrease in staffing costs, this will result in a significant increase in our company profit before interest. However, please note these figures do not account for any changes in Direct or Indirect costs, so may be subject to change.

3.2 Key Non-Financial Performance Objectives:

The Key Non-Financial Performance Measures of WRSX Group are divided into six major categories, all used in the ADCOM Industry Benchmark Survey:

1. Management of Growth
2. Management of Risk
3. Leadership Capability
4. Corporate Social Responsibility
5. Client Attraction and Retention
6. Procurement and Supplier Management

ADCOM Industry Benchmark Survey Results and Impact on Share Price:

Each of the scores for the Non-Financial Performance Indicators (NFPI's) is driven by how WRSX performs in the Industry Benchmark Survey. The Industry Average Score for each NFPI is 50 points.

The survey results showed that WRSX scored below average for every category other than Client Attraction and Retention. This is mainly due to the recent corruption scandal, the ineffectiveness of the organization's leaders and its incapability to exploit its strengths and resources.

The primary goal of the organization is to score above average for all six categories over a period of five years with special focus on the following categories:

1. Leadership Capability
2. Client Attraction and Retention
3. Procurement and Supplier Management

Given below are the quantified objectives for Non-Financial Performance Indicators over a period of Five Years:

Indicators	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Management of Growth	43.5	45.0	47.0	49.0	51.0	53.0
Management of Risk	41.3	44.5	46.0	48.5	50.0	52.0
Leadership Capabilities	39.2	44.0	48.0	53.0	57.0	60.0
Corporate Social Responsibility	38.5	42.5	47.0	49.5	52.0	53.0
Client Attraction and Retention	52.0	54.0	55.0	57.0	60.0	64.0
Procurement and Supplier Management	38.7	43.0	47.0	50.0	54	58.0
Average of All Six NFPI's for WRSX	42.2	45.5	48.3	51.2	54	56.7

Table 2: Non-Financial Performance Indicators over a period of Five Years

4.Implementation plan:

After the determination of our strategic position and assessing the strategic options, we have settled on the stated priority choices to focus on in the next five years. Below are the proposed plans to achieve these choices and rationale behind them.

Replacement of Non-Executive Directors (NEDs) of the Board:

We are convinced that all the NED have failed at their primary responsibility of monitoring the executive directors and acting in the interest of the company stakeholders. They have overseen the low performance of the company in both its financial and non-financial KPIs.

We, therefore, propose a replacement of all NEDs with new NEDs who are stern, committed, available and have a strong track record in corporate governance.

Establishment of Corporate Head Office:

Our analysis shows that the company significantly lacks synergy. Our biggest and most profitable division, the US division also has significant challenges with creativity and retention of key staff. The US market is the most lucrative market in our industry and our US division is our cash cow. The division must be given the needed focus. We, therefore, propose the appointment of a CEO who has a track record of creating strong synergy across a corporation and the establishment of a corporate head office in the US within the next year. This will facilitate expertise sharing across the company especially with regards to creativity, which was found to be crippled in the US and but very strong in other divisions.

Centralization of Procurement Management:

It has been found that the company has persistently failed to exploit its buying power and capitalize on economies of scale. There is a significant opportunity to cut costs if we successfully achieve this. The newly appointed CEO should within 3 months of his appointment largely centralize the procurement management of the group to help the group cut cost in procurement.

Review, Improve and Implement Strategic HR Policy:

The failure to retain our good creative directors and account managers put a significant strain on our operations, finances, and growth. This situation must be nipped in the bud. The board should review, improve, and implement a new strategic HR Policy that aims to improve staff commitment and retention. This should be achieved within the next year.

Supercharging our Digital Marketing:

Digital marketing is fast rising; this rise is projected to continue. We believe the ground is very much levelled in this space. However, if we are going to get ahead in this space, we need to have some distinctive resources to gain some competitive advantage in the space. We should assemble a team of exclusive, world-class social media influencers (including

Muslim influencers). This would undeniably boost our capabilities in the digital marketing space.

Enhancing Corporate Social Responsibility:

The world is increasingly becoming sustainability aware. Many of our current clients are increasingly becoming more concerned about sustainability. It is prudent that as a company we become more sustainable throughout our operations. The board should therefore draw up and effectively implement a comprehensive policy to improve the sustainability profile and carbon footprint across the company.

New Division in China:

The China advertising and marketing market is growing and challenging the US Market gradually. Revenues in the US and western Europe is projected to decline. We need to move into this thriving market. The board should begin planning and preparing to move into the Chinese Market through acquisition immediately. Five years from today this should have been achieved.

References

Barney, J., (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), pp.99-120.

Corporate governance - OECD (2021) Available at: <https://www.oecd.org/corporate/> (Accessed: 21 November 2021).

Porter, M., (1979). *How Competitive Forces Shape Strategy*. [online] Harvard Business Review. Available at: <<https://hbr.org/1979/03/how-competitive-forces-shape-strategy>> [Accessed 11 October 2021].

Price Waterhouse Cooper. (2013) Supplier Relationship Management How key suppliers drive your company's competitive advantage. Price Waterhouse Cooper, p. 12. Available at: <https://www.pwc.nl/nl/assets/documents/pwc-supplier-relationship-management.pdf> (Accessed: 21 November 2021).

Whittington, R. REGNÉR, P., JOHNSON, G., ANGWIN, D. AND SCHOLES, K. (2020) Exploring strategy. 11th edition. Harlow: Pearson, pp. 36,96,99,100-107,113.

Appendices

Figure 1: Opportunities and Threats faced by the company

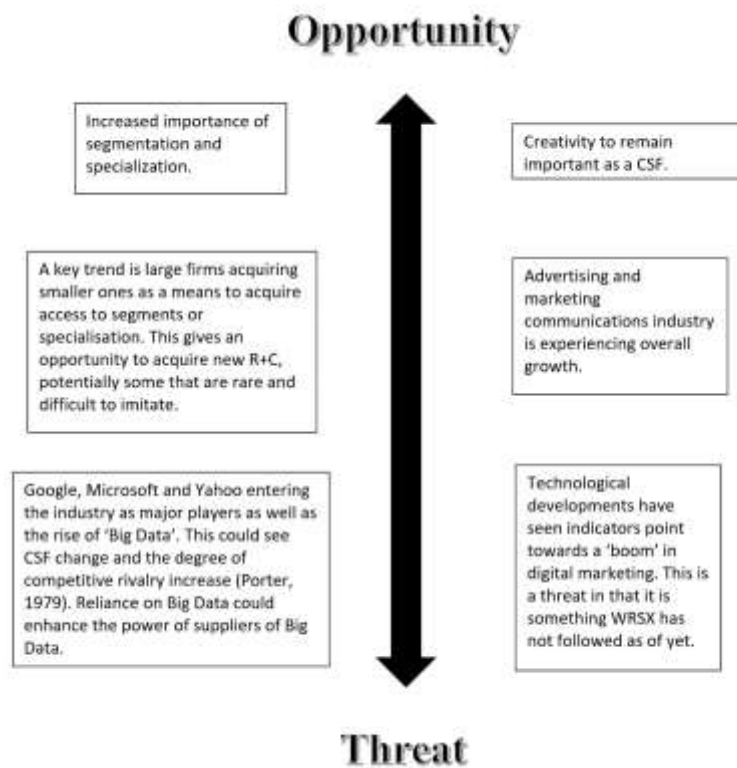


Figure 2: Strengths and Weaknesses of the company

Strengths	Weaknesses
<ul style="list-style-type: none"> Strong creative teams (1) Expert knowledge in specific geographical areas and market segments (1) Expertise in how to deliver marketing messages via different media channels (2) 	<ul style="list-style-type: none"> Poor corporate governance standards. Corruption scandal and its effect on reputation (1) Slow and tentative entry to digital markets (1) Lack of strategic leadership (1) Struggled with organic growth (2) Poor relationships with suppliers (2) Failure to exploit economies of scale and scope (2) Underperforming account management team (3)

Figure 3: VRIO Framework Adapted from Barney, J., 1991. Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), pp.99-120.

Is it Valuable?	Is It rare?	Is Difficult to Imitate?	Is Firm Organized Around It?	WHAT IS THE RESULT?
NO	NO	NO	NO	COMPETITIVE DISADVANTAGE
YES	NO	NO	NO	COMPETITIVE EQUALITY / PARITY
YES	YES	NO	NO	TEMPORARY COMPETITIVE ADVANTAGE
YES	YES	YES	NO	UNUSED COMPETITIVE ADVANTAGE
YES	YES	YES	YES	SUSTAINABLE COMPETITIVE ADVANTAGE

Figure 4: TOWS Matrix Adapted from Whittington, R., Regnér, P., Angwin, D., Johnson, G. and Scholes, K., 2020. *Exploring strategy*. 12th ed. Harlow: Pearson, pp.113

	Strengths (S)	Weakness (W)
Opportunities (O)	S-O strategies <ul style="list-style-type: none"> Using our experience in successful acquisitions to enter the Chinese Market Taking advantage of our strong expertise in delivery marketing messages via media to succeed in messenger marketing. Using our strong market and geographic insight skills to tap into the muslim market 	W-O strategies <ul style="list-style-type: none"> Acquire resources and capability that will provide a competitive advantage in the digital marketing space. Strengthen creativity across the group especially the US division facilitate organic growth in the recovery US Market Improve HR Policy to retain top staff.
Threats (T)	S-T strategies <ul style="list-style-type: none"> Use our skills expertise in market insights to undersatnd the rapidly growing asian market. 	W-T strategies <ul style="list-style-type: none"> Establish synergy across the group to boost procurement management and expertise sharing. Improve corporate governance. Boost CRS across the group.

Figure 5: Ansoff Matrix

